GRANT COUNTY SANITARY SEWER DISTRICT

FINANCIAL STATEMENTS

For the Years Ending December 31, 2025 and 2024

GRANT COUNTY
SANITARY SEWER DISTRICT

FINANCIAL STATEMENTS

For the Years Ending December 31, 2025 and 2024

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GRANT COUNTY
SANITARY SEWER DISTRICT
BOARD OF COMMISSIONERS
December 31, 2025 and 2024

Charles Givin, Chair

Robert Worthington, Jr., Vice Chair

Rodger Bingham, Treasurer

Greg Powell, Secretary

Mike Duley

Of Counsel

Thomas R. Nienaber, Esq.

Administration

Paul Harp, Superintendent

Independent Auditor's Report

To the Board of Commissioners
Grant County Sanitary Sewer District
Crittenden, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Grant County Sanitary Sewer District (District), as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Grant County Sanitary Sewer District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Grant County Sanitary Sewer District as of December 31, 2025 and 2024, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with accounting standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Grant County Sanitary Sewer District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Grant County Sanitary Sewer District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the

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aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Grant County Sanitary Sewer District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Grant County Sanitary Sewer District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grant County Sanitary Sewer District's basic financial statements. The accompanying Schedules of Operations, Maintenance, and Administrative Expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The accompanying Schedules of Operations, Maintenance, and Administrative Expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2026, on our consideration of the Grant County Sanitary Sewer District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Grant County Sanitary Sewer District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Grant County Sanitary Sewer District's internal control over financial reporting and compliance.

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.
Certified Public Accountants
Erlanger, Kentucky
June 29, 2026

GRANT COUNTY SANITARY SEWER DISTRICT
1 Farrell Drive
Crittenden, Kentucky 41030

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the year ended December 31, 2025. The information is presented in conjunction with the audited financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent year by $6,468,966 (net position). This was an increase of $312,555 in comparison to an increase of $20,433 in the prior year. The District experienced an increase in operating revenue and a decrease in operating expenses. These two differences were accompanied by an increase in non-operating income (expenses) and were the reason for approximately 36% of the overall increase. The primary reason for the increase in the net position actually came from a 64% increase in capital contributions. The District received funds from a state grant in the amount of $182,791.

- At the end of the current year, unrestricted net position was $1,155,137.

USING THIS ANNUAL REPORT

The financial statements presented herein include all the activities of the District accounted for within a single proprietary (enterprise) reporting entity. The financial statements include a statement of net position, statement of revenues, expenses and changes in net position, statement of cash flows, notes to the financial statements and a supplemental schedule. These statements show the condition of the District's finances and the sources of income and the funds expended.

Basis of Accounting

The District's financial statements are prepared using the accrual basis of accounting.

The Statements of Net Position and Revenues, Expenses and Changes in Net Position

In the Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position, we report the District's activities.

- The District charges rates for sewer usage based on the water consumption of its customers to cover all or most of the cost of certain services the District provides.

SUMMARY OF NET POSITION

Table 1 provides a summary of the District's net position at December 31, 2025, 2024 and 2023.

Table 1

Net Position

	2025	2024	2023
Current assets	$ 1,101,141	$ 1,003,673	$ 821,667
Restricted assets	178,435	153,745	138,969
Noncurrent assets	5,846,538	5,706,099	5,945,817
Total assets	7,126,114	6,863,517	6,906,453
Current liabilities	39,833	34,387	38,589
Liabilities payable from restricted assets	108,146	103,275	103,936
Long term liabilities	509,169	569,444	627,950
Total liabilities	657,148	707,106	770,475
Net position:			
Invested in capital assets, net of related debt	5,277,094	5,078,149	5,258,813
Restricted	36,735	35,158	34,788
Unrestricted	1,155,137	1,043,104	842,377
Total net position	$ 6,468,966	$ 6,156,411	$ 6,135,978

The District's net position for 2025 increased $312,555. See the information under Financial Highlights (page 5) for an explanation as to why this increase occurred during 2025 as well as the increase the District had experienced in the previous year.

The largest portion of the District's net position (81.6%) reflects its investment in capital assets (e.g. land, buildings, infrastructure, machinery and equipment), less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the debt.

Restricted net position represents resources that are subject to external restrictions on how they are to be expended.

The unrestricted net position may be used to meet the District's ongoing obligations to customers and creditors.

SUMMARY OF CHANGES IN NET POSITION

<u>Operating Revenues</u>
Operating revenues increased slightly by $14,600 or 1.6%.

<u>Operation and Maintenance Expense</u>
Operation and maintenance expenses decreased $73,394 or 11% during 2025. The cost of engineering services decreased in 2025. This was due to the District's decision in 2024 to expense costs associated with projects that were cancelled. There was also a decrease in materials & supplies of $33,253 or 23%.

Interest on Long-Term Debt and Customer Deposits
Interest expense decreased $2,062 or 9.6% during 2025, compared to a decrease of $1,379 or 6.0% in 2024. This is due to the decline in principal balance as the loans are paid off.

The following schedule compares the revenues and expenses for the current year and the previous two years.

Table 2
Changes in Net Position

	2025	2024	2023
Operating revenues:			
Sewer sales	$ 928,238	$ 916,982	$ 853,477
Forfeited discounts	18,392	15,653	6,138
Miscellaneous services revenues	1,467	862	7,081
Total operating revenues	948,097	933,497	866,696
Operating expenses:			
Operation and maintenance expense	617,916	691,310	604,857
Depreciation & amortization	223,815	223,668	221,765
Total operating expenses	841,731	914,978	826,622
Net operating income	106,366	18,519	40,074
Non-operating income(expenses)			
Investment income	24,878	8,456	1,929
Gain on sale of capital assets	-	-	-
Interest on long-term debt and customer deposits	(19,480)	(21,542)	(22,921)
Net non-operating expenses	5,398	(13,086)	(20,992)
Net income (loss) before capital contributions	111,764	5,433	19,082
Capital contributions	200,791	15,000	49,000
Change in net position	312,555	20,433	68,082
Net position, January 1	6,156,411	6,135,978	6,067,896
Net position, December 31	$ 6,468,966	$ 6,156,411	$ 6,135,978

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2025, the District had $5,846,538 invested in capital assets including land, buildings, sewer systems, equipment, and vehicles, as reflected in the following schedule. This represents a net increase (additions less retirements and depreciation) of $140,439.

Table 3 summarizes the District's capital assets at the end of 2025 as compared to 2024 and 2023.

Table 3
Capital Assets at Year End

Asset Type	2025	2024	2023
Land	$ 25,000	$ 25,000	$ 25,000
Construction in progress	333,937	75,360	160,660
Equipment	383,975	374,389	370,827
Transportation equipment	85,047	85,047	85,047
Collection system & lift stations	7,555,196	7,461,368	7,397,943
Collection plant & equipment	1,281,582	1,281,582	1,281,582
Subtotal	9,664,737	9,302,746	9,321,059
Accumulated depreciation	(3,818,199)	(3,596,647)	(3,377,505)
Capital assets, net	$ 5,846,538	$ 5,706,099	$ 5,943,554

Outstanding Debt

Table 4 illustrates the District's outstanding debt at the end of 2025 compared to 2024 and 2023.

Table 4
Outstanding Debt at Year End

	2025	2024	2023
Notes Payable	$ 569,444	$ 627,950	$ 684,740
Capital Lease	-	-	-
Total	$ 569,444	$ 627,950	$ 684,740

At year-end, the District had $569,444 in outstanding notes compared to $627,950 last year. This is a decrease of $58,506. This decrease is the result of the District making all the scheduled principal and interest payments on their outstanding debt during 2025.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's budget for 2026 shows an increase in net position of approximately $98,993 as opposed to an increase of $312,555 during 2025. Operating revenue is expected to remain approximately the same as the previous year. Operating expenses are expected to increase slightly as costs increase due to inflationary factors. The interest expense will show a decrease as the District continues to pay down the outstanding balances on their loans. The interest income is expected to show a decrease as the interest rates that the banks are paying on investments is slowly decreasing.

FINANCIAL CONTACT

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Administrative Office at 1 Farrell Drive, Crittenden, Kentucky 41030.

Paul Harp

Paul Harp, Superintendent
Grant County Sanitary Sewer District

GRANT COUNTY SANITARY SEWER DISTRICT
STATEMENTS OF NET POSITION
December 31, 2025 and 2024

	2025	2024
Assets		
Current assets		
Cash and cash equivalents	$ 601,344	$ 472,899
Investments	236,399	226,548
Accounts receivable		
Customers, net of allowance	252,179	292,225
Others	47	27
Prepaids	11,172	9,711
Unamortized rate case expense	-	2,263
Total current assets	1,101,141	1,003,673
Restricted assets		
Replacement reserve	38,159	36,728
Customer deposits	140,276	117,017
Total restricted assets	178,435	153,745
Noncurrent assets		
Deferred rate case expense	-	-
Total noncurrent assets	-	-
Capital assets		
Land, building, transmission system, equipment, and vehicles	9,330,800	9,227,386
Construction in progress	333,937	75,360
Total utility plant in service	9,664,737	9,302,746
Less: accumulated depreciation	(3,818,199)	(3,596,647)
Total capital assets, net of depreciation	5,846,538	5,706,099
Total assets	7,126,114	6,863,517

The accompanying notes are an integral part of the financial statements.

(Continued on Page 11)

GRANT COUNTY SANITARY SEWER DISTRICT
STATEMENTS OF NET POSITION (continued from page 10)
December 31, 2025 and 2024

	2025	2024
Liabilities		
Current liabilities		
Accounts payable - trade	39,224	33,576
Accrued liabilities	609	811
Total current liabilities	39,833	34,387
Current liabilities payable from restricted assets		
Note payable - current portion	60,275	58,506
Customer deposits	46,050	43,070
Accrued interest payable	1,424	1,570
Trash collection	397	129
Total current liabilities payable from restricted assets	108,146	103,275
Long-term obligations		
Note payable - KIA	509,169	569,444
Total long-term obligations	509,169	569,444
Total liabilities	657,148	707,106
Net position		
Invested in capital assets, net of related debt	5,277,094	5,078,149
Restricted	36,735	35,158
Unrestricted	1,155,137	1,043,104
Total net position	$ 6,468,966	$ 6,156,411

The accompanying notes are an integral part of the financial statements.

GRANT COUNTY SANITARY SEWER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ending December 31, 2025 and 2024

	2025	2024
Operating revenues		
User fee revenue	$ 946,630	$ 932,635
Other service revenues	1,467	862
Total operating revenues	948,097	933,497
Operating expenses		
Operations and maintenance expense	617,916	691,310
Depreciation & amortization	223,815	223,668
Total operating expenses	841,731	914,978
Operating income	106,366	18,519
Non-operating income (expense)		
Investment income	24,878	8,456
Interest on long-term obligations	(18,257)	(19,977)
Interest on customer deposits	(1,223)	(1,565)
Net non-operating expense	5,398	(13,086)
Net income	111,764	5,433
Capital contributions	200,791	15,000
Change in net position	312,555	20,433
Net position, January 1	6,156,411	6,135,978
Net position, December 31	$ 6,468,966	$ 6,156,411

The accompanying notes are an integral part of the financial statements.

GRANT COUNTY SANITARY SEWER DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ending December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities		
Received from customers	$ 990,385	$ 875,507
Paid to suppliers for goods and services	(608,792)	(597,501)
Paid to or on behalf of employees for services	(7,402)	(8,009)
Net change in cash from operating activities	374,191	269,997
Cash flows from investing activities		
Purchase of investments	-	(220,000)
Interest on investments	15,028	1,908
Net change in cash from investing activities	15,028	(218,092)
Cash flows from capital and related financing activities		
Principal paid on long term debt	(58,506)	(56,790)
Interest paid on long term debt	(19,625)	(21,683)
Contributed capital received	200,791	15,000
Acquisition and construction of capital assets	(361,992)	(70,906)
Increase (decrease) in customer deposits	2,980	1,026
Change in other restricted liabilities	268	(3,261)
Net change in cash from capital and related financing activites	(236,084)	(136,614)
Change in cash and cash equivalents	153,135	(84,709)
Beginning cash and cash equivalents	626,644	711,353
Ending cash and cash equivalents	$ 779,779	$ 626,644
Reconciliation of operating income to net cash provided by (used for) operating activites		
Operating income	$ 106,366	$ 18,519
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	221,552	219,142
Reclassification of construction in progress	-	89,218
Change in operating assets and liabilities		
(Increase) decrease in receivables	42,288	(57,990)
Decrease (increase) in prepaid assets	(1,461)	5,310
Decrease in accounts payable	5,648	(3,193)
(Decrease) increase in other accrued liabilities	(202)	(1,009)
Net cash provided by operating activities	$ 374,191	$ 269,997
Supplemental information		
Interest expensed	$ 19,480	$ 21,542
Components of cash on the Statement of Net Position		
Cash and cash equivalents - current	$ 601,344	$ 472,899
Cash and cash equivalents - restricted	178,435	153,745
	$ 779,779	$ 626,644

The accompanying notes are an integral part of the financial statements.

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

The Grant County Sanitary Sewer District (District) is a sanitary sewer utility that was established by the Grant County Fiscal Court on October 2, 2002. It was organized and operates under the provisions of the Kentucky Revised Statutes, Chapters 67 and 74. The District owns and operates sewer collection and treatment facilities that provide sanitary sewer service to residential, commercial, and industrial customers in Grant County, Kentucky. In 2003, the District appointed Commissioners and began negotiations to acquire the necessary assets from the City of Crittenden to begin operations as a sewer utility. On April 23, 2004, the District acquired the cash and infrastructure assets from the City of Crittenden Sewer Department in exchange for assuming the related bond debt and associated unamortized premiums and issue costs.

<u>Regulatory Requirements</u>
The District is subject to the regulatory authority of the Kentucky Public Service Commission ("PSC") pursuant to KRS 278.040.

<u>Basis of Accounting</u>
Grant County Sanitary Sewer District's financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principles Board (APB) Opinions of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

All activities of the District are accounted for within a single proprietary (enterprise) reporting entity. Proprietary entities are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expense, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) is segregated into "invested in capital assets, net of related liabilities"; "restricted"; and "unrestricted" components.

<u>Cash Equivalents</u>
For purposes of the statements of net position and statements of cash flows, the District considers all unrestricted highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

<u>Budgets</u>
In accordance with Kentucky Revised Statute 65A, the District is required to upload a balanced budget to the Kentucky Department of Local Government website by January 15. The budget includes proposed expenditures and the means of financing them for the upcoming year. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Expenditures may not legally exceed budgeted appropriations at the fund level. All appropriations lapse at fiscal year-end.

Inventories
Inventories are stated at the lower of cost or market. Cost is determined under the First-In, First-Out (FIFO) method. Market is determined on the basis of estimated realizable market values. The District has no measurable inventory to report at December 31, 2025 and 2024.

Distribution System, Building, and Equipment
Property, plant, collection lines and equipment are recorded at cost and depreciated over their estimated useful lives using the straight line method. Upon sale or retirement, the cost and related accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in the "Non-Operating Income (Expense)" portion of results of operations.

Construction in Progress
Capitalized costs incurred on projects which are not in use or ready for use at year end are held as "Construction in Progress." When the related asset is ready for use, related costs are transferred to the related asset account.

Capital Contributions
In conformity with the provisions of Governmental Accounting Standards Board Statement No. 33 – *Accounting and Financial Reporting for Non-Exchange Transactions*, amounts related to customer contributions in aid of construction have been reported as other income in the District's income statement. These contributions represent customer tap-in fees and other contributions to recover the costs of extensions of the collection system. The District also includes estimated cost figures for those lines contributed by outside contractors.

During 2025 and 2024 these contributions consisted of the following:

Source	2025	2024
Tap in fees paid by new customers	$ 18,000	$ 15,000
Capital grants	182,791	-
Totals	$ 200,791	$ 15,000

Income Tax Status
The District is exempt from federal and state income taxes since it is a governmental entity. Accordingly, the financial statements include no provision for income taxes.

Use of Estimates
The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Operating Revenues and Non-Operating Revenues
Revenues have been classified as operating and non-operating. Operating revenues are those revenues that are directly generated from the sale of sewer service to customers. Non-operating revenues are those revenues that arise from the overall function of the entity. Examples of non-operating revenues are grant revenues, the sale of fixed assets and interest income.

NOTE 2 – DEPOSITS AND INVESTMENTS

The following table provides a reconciliation of cash, cash equivalents and investments as shown on the Comparative Statements of Net Position as of December 31, 2025 and 2024.

	December 31, 2025	December 31, 2024
Reported in Statements of Net Position:		
Cash & cash equivalents		
Unrestricted	$ 601,344	$ 472,899
Restricted	146,892	153,745
Total cash & cash equivalents	748,236	626,644
Investments		
Restricted	267,942	226,548
Total Cash, Cash Equivalents and Investments	$ 1,016,178	$ 853,192

Deposits

As of December 31, 2025, the District's depository bank is Forcht Bank. The District's deposits are fully collateralized and/or covered by federal depository insurance. At December 31, 2025, the collateral pledged consisted of securities within an investment portfolio held by the bank, with market values reported on the collateral statement issued under the District's name. At December 31, 2025, the bank balance of the district's demand account at Forcht Bank was $1,016,178.

Investments

As of December 31, 2025, the District's investments are made up of certificate of deposits. The certificate of deposits is with Forcht Bank. Investments are reported at fair value as of December 31, 2025.

The following table presents information related to the District's investments and deposits at December 31, 2025.

	Reported Value	Weighted Average Maturity in Years
Money Market Funds	$ 17,943	0.003
Cash	730,293	0.000
Certificate of Deposits	267,942	0.000
Total cash equivalents and investments	$ 1,016,178	

Risks

<u>Interest Rate Risk:</u> Interest rate risk is the risk that a change in market interest rates of fixed income securities will adversely affect the fair value of the investment. The District minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The weighted average maturity in years represents the interest rate risk for the District. At December 31, 2025, the longest remaining maturity for any investment was approximately five years.

Credit Risk: Credit risk is the risk that an issuer of financial securities will not fulfill its obligations to the holder of the obligation. In accordance with Kentucky Revised Statues and the District's investment policy, the District manages credit risk by limiting its investments in state and local governments in those rated in one of the three highest categories by a competent rating agency. Restricted fund investments in state and local governments must be rated in one of the two highest rating categories.

Concentration of Credit Risk: Concentration of credit risk for investments is the risk of loss attributable to the magnitude of an investment in a single issuer. The District's investment policy requires that investments be diversified to eliminate the risk of loss from over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The District was in compliance with its investment policy at December 31, 2025.

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that, in the event of the failure of a financial institution, the District's deposits or collateral securities would not be returned to it. The District considers the collateral provided by financial institutions with who it does business adequate to cover all deposits in excess of limits set forth by the Federal Deposit Insurance Corporation.

Custodial Credit Risk – Investments: For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The District's investments are held in the District's name by an independent custodial agent and investments in obligations of the United States or its agencies are held by the Federal Reserve in a custodial account.

Fair Value Measurement

GASB 72 requires the District to disclose how we measure the fair value of investments and the underlying valuation techniques. Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for these securities or repurchase agreements. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing approach. Matrix pricing is used to value securities based on the securities' relationship to the benchmark quoted prices. Assets classified in Level 3 are valued based on unobservable inputs.

The following table summarizes the District's investments subject to fair value measurements and valuation techniques as of December 31, 2025.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments at fair value level:				
Certificates of Deposit	$ 267,942	-	-	$ 267,942
Total investments	$ 267,942	$ -	$ -	$ 267,942

Restricted Cash and Investments

Cash and investments are restricted for various purposes as specified by the District's General Bond Resolution and other debt agreements. The following table summarizes restricted cash and investments by purpose at December 31, 2025 and 2024.

	December 31, 2025	December 31, 2024
Renewal and replacement	$ 38,159	$ 36,728
Other restricted	140,276	117,017
Total restricted cash & investments	$ 178,435	$ 153,745

NOTE 3 – RESTRICTED NET POSITION

Net position is comprised of the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following three components: invested in capital assets, net of related debt; restricted; and unrestricted net position. Invested in capital assets, net of related debt consists of all capital assets net of accumulated depreciation and reduced by outstanding debt, that is attributable to the acquisition, construction and improvement of those assets. Restricted net position consists of assets, net of related liabilities, for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted net position consists of all other assets, net of related liabilities, not included in the above categories.

Included in restricted net position at December 31,

	2025	2024
Replacement reserve	$ 38,159	$ 36,728
Accrued interest on long term debt	(1,424)	(1,570)
Total Restricted Net Position	$ 36,735	$ 35,158

NOTE 4 – UTILITY PLANT IN SERVICE

All property, plant and equipment including infrastructure assets are recorded at cost and depreciated over their estimated useful lives, using the straight-line method as detailed in Note 1. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss included in the results of operations. Repair and maintenance charges, which do not increase the useful lives of the assets, are charged to income as incurred. Interest incurred on construction funding during the period of construction is capitalized and is added to the item under construction rather than charged to expense as incurred. Effective January 1, 2016, the Commissioners of Grant County Sanitary Sewer District decided that the useful life of their transmission and distribution mains should be 75 years rather than the 50-year life that the District had been using. Therefore, depreciation on transmission and distribution mains has been calculated using a 75-year life beginning fiscal year 2016.

Estimated useful lives, in years, for depreciable assets are as follows:

Structures and improvements	15-40 years
Machinery and equipment	3-25 years
Sewer lines	75 years
Pump stations	3-40 years

The capital asset balances at December 31, 2025 and 2024 are as follows:

Asset Type	Balance at December 31, 2024	Additions	Retirements	Balance at December 31, 2025
Land	$ 25,000	$ -	$ -	$ 25,000
Construction in progress	75,360	262,018	(3,441)	333,937
Equipment	374,389	9,586	-	383,975
Mains	4,974,673	-	-	4,974,673
Pump stations	2,486,695	93,828	-	2,580,523
Structures and improvements	1,281,582	-	-	1,281,582
Transportation equipment	85,047	-	-	85,047
Subtotal	9,302,746	365,432	(3,441)	9,664,737
Accumulated depreciation	(3,596,647)	(221,552)	-	(3,818,199)
Capital assets, net	$ 5,706,099	$ 143,880	$ (3,441)	$ 5,846,538

NOTE 5 – LONG TERM DEBT

Note Payable – Kentucky Infrastructure Authority

The District entered into an agreement with the Kentucky Infrastructure Authority for additional funding for its Phase I Line Extension Project. The agreement is dated October 1, 2009. The funding comes from the Federally Assisted Wastewater Revolving Loan Fund, from which the District began drawing its funds in May 2010. The interest rate on this debt is 3.00%, and the maturity date is December 1, 2031.

The remaining debt service is as follows:

Year	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2026	3.00%	$ 11,756	$ 2,196	$ 13,952
2027	3.00%	12,112	1,840	13,952
2028	3.00%	12,478	1,474	13,952
2029	3.00%	12,855	1,097	13,952
2030	3.00%	13,244	708	13,952
2031	3.00%	13,644	306	13,950
Totals		$ 76,089	$ 7,621	$ 83,710

Note Payable – Kentucky Infrastructure Authority

On January 6, 2014 the District entered into an agreement with the Kentucky Infrastructure Authority to fund the construction of a sewer lift station and the extension of the current sewer main and appurtenances. Construction draws on this loan totaled $882,042 during 2014. The final loan draw of $59,676 was received in January 2015. The interest rate on this debt is 3.00%, and matures on December 1, 2034. Principal and interest payments are due on June 1 and December 1.

The remaining debt service is as follows:

Year	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2026	3.00%	$ 48,518	$ 14,440	$ 62,958
2027	3.00%	49,985	12,973	62,958
2028	3.00%	51,495	11,463	62,958
2029	3.00%	53,052	9,906	62,958
2030	3.00%	54,656	8,302	62,958
3031-2034	3.00%	235,649	16,181	251,830
Totals		$ 493,355	$ 73,265	$ 566,620

NOTE 6 – RELATED PARTY TRANSACTIONS

The Grant County Sanitary Sewer District is operated by the staff of the Bullock Pen Water District. The Sewer District pays a management fee to the Bullock Pen Water District for these services. This fee was $257,694 and $224,981 in 2025 and 2024, respectively. The Chairman of the Board of Commissioners and one other commissioner of the District serve on the boards of both the Grant County Sanitary Sewer District and the Bullock Pen Water District.

NOTE 7 – ECONOMIC DEPENDENCY/CREDIT RISK

Grant County Sanitary Sewer District is a government agency operating with one office in Crittenden, Kentucky. It grants credit to customers who are primarily local residents and businesses. The District receives all of its operating revenues from customers in Grant County, Kentucky.

NOTE 8 – LITIGATION RISK

The District is currently a defendant in litigation regarding the maintenance of a dam. The District is insured against these types of damages and its insurance company is vigorously defending this litigation. The District expects no material judgments against the District in this case.

NOTE 9 – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 102 – *Certain Risk Disclosures* – Establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints. This implementation of this statement should have no direct material impact on the District.

NOTE 10 – FUTURE ACCOUNTING STANDARDS

Statement No. 103 – *Financial Reporting Model Improvements* – Implementation in FY 2026

Statement No. 104 – *Disclosure of Certain Capital Assets* – Implementation in FY 2026

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated events through June 29, 2026, the date on which the financial statements were available for issue. The District did not have any events subsequent to report from December 31, 2025 through June 29, 2026.

GRANT COUNTY SANITARY SEWER DISTRICT
SCHEDULES OF OPERATIONS, MAINTENANCE AND ADMINISTRATIVE EXPENSES
For the Years Ending December 31, 2025 and 2024

	2025	2024
Operations, maintenance and administrative expenses		
Salaries and wages - commissioners	$ 7,200	$ 7,000
Advertising	805	1,383
Bad debt expense	2,209	10,387
Chemicals	32,146	29,407
Contractual services - accounting	29,123	25,633
Contractual services - engineering	4,761	92,518
Contractual services - legal	9,053	11,790
Contractual services - management	257,694	224,981
Contractual services - sample analysis	27,397	24,680
Insurance - general liability	5,503	5,095
Insurance - vehicle	5,072	4,502
Insurance - property	3,763	5,012
Insurance - other	345	349
Materials and supplies	109,245	142,498
Miscellaneous	87	605
Payroll taxes	551	536
Purchased power	100,532	93,699
Rental of equipment	5,372	4,341
Transportation	15,569	5,547
Utility regulatory assessment	1,489	1,347
Total operations, maintenance and administrative expenses	$ 617,916	$ 691,310

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners
Grant County Sanitary Sewer District
Crittenden, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Grant County Sanitary Sewer District, as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise Grant County Sanitary Sewer District's basic financial statements, and have issued our report thereon dated June 29, 2026.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered Grant County Sanitary Sewer District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grant County Sanitary Sewer District's internal control. Accordingly, we do not express an opinion on the effectiveness of Grant County Sanitary Sewer District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did not identify any deficiencies in internal control that we consider significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Grant County Sanitary Sewer District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. Noncompliance could have a direct and

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material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.
Certified Public Accountants
Erlanger, Kentucky
June 29, 2026